Equity Valuation of Ibersol SGPS, SA

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Department of Finance

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Resumo

O objetivo principal do presente projeto é realizar uma avaliação fidedigna de uma empresa cotada em bolsa com o intuito de fornecer informação essencial a potenciais investidores e de obter o preço de mercado das ações com referência a 31 de dezembro de 2019. A empresa escolhida foi a Ibersol SGPS, S.A., um grupo multimarca que opera no setor da restauração.

A propagação do COVID-19, declarada pela Organização Mundial de Saúde como pandemia global em 2020, teve um grande impacto na economia mundial e nos hábitos dos consumidores. Por estas razões, o efeito da pandemia também foi considerado neste projeto.

Entre os modelos escolhidos para realizar a avaliação (*DCF*, Múltiplos e *EVA*), o mais indicado é o do *DCF*, uma vez que todas as previsões foram calculadas tendo em conta o impacto da pandemia no setor da restauração. No final da avaliação, o resultado obtido foi 5.80€, o que sugere uma recomendação de venda pois o valor de referência do mercado a 31 de dezembro de 2019 era 8.00€. Contudo, a decisão dos investidores deve também considerar a velocidade da vacinação em massa e as boas perspetivas de alguns setores em que a Ibersol opera, como por exemplo, os serviços de entregas, *take-away* e *drive-through*. Adicionalmente, à data do final deste projecto, o valor das ações da empresa rondava os 5.76€, indicando que as previsões efetuadas estão de acordo com a situação atual da Ibersol. Assim, a recomendação final para os investidores poderá ser de manter as ações ao invés de as vender.

Abstract

The aim of the present project is to make a reliable valuation of a listed company with the purpose of providing essential information for potential investors and achieving the target price of the company's shares as of 31st December of 2019. The company chosen was Ibersol SGPS, S.A., that is a multi-brand group operating in the food service sector.

The spread of COVID-19, declared by the World Health Organization as a global pandemic in 2020, deeply impacted the world economy and consumers' habits. Therefore, the pandemic effect is also considered in this project.

Between the models chosen to perform the valuation (DFC, Relative Valuation and EVA), the most accurate one is DFC as all the forecasts were produced considering the pandemic impact in the food service sector. At the end of the valuation, the result obtained was 5.80€, which would suggest a sell recommendation as the market reference value at 31 of December of 2019 was 8.00€. However, investors' decision should also contemplate the speed of large-scale vaccination and the good prospects of some sectors where Ibersol operates, such as delivery, take-away and drive services. Moreover, at the date of the end of this project, the company' share price was around 5.76€, which suggests that the forecasts made in this project are in line with the current situation of Ibersol. Thus, the final recommendation for investors might change to from a Sell to a Hold.

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List of Acronyms

BoY – Beginning of the Year

CAPEX – Capital Expenditures

CAPM – Capital Asset Pricing Model

DDM – Dividend Discount Model

DFC – Discounted Cash Flow

DPS – Dividend per Share

EBIT – Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization

EoY – End of the Year

EQV – Equity Value

EV – Enterprise Value

EVA – Economic Value Added

FCFE – Free Cash Flow to Equity

FCFF – Free Cash Flow to the Firm

g – Terminal Growth Rate

GDP - Gross Domestic Product

IMF - International Monetary Fund

MVA – Market Value Added

NOPLAT – Net Operating Profit After Tax

PBV – Price to Book Value

PER – Price to Earnings

PV - Present Value

TV – Terminal Value

WACC – Weighted Average Cost of Capital

1. Introduction

The main goal of Corporate Valuation is determining the economic value of a business, allowing managers to take investment or divestment decisions. Nowadays, most of the general managers want to learn about this topic since they consider it as a really important financial analytical skill. According to Fernandéz (2007), "understanding the mechanisms of company valuation is an indispensable requisite (…) because it helps identifying sources of economic value creation and destruction within the company".

Measuring the value of a business is a complex challenge. There are several different methods and approaches that can be used in this process. Also, these methodologies require some assumptions and projections, leading to different interpretations of the results. Thus "valuation is not an objective exercise" (Damodaran, 2006).

Although valuation is not consensual amongst the financial experts, due to its subjectivity, it plays a fundamental role in the Finance field since it helps investors make decisions in topics such as Buying and Selling Shares, Mergers and Acquisitions, Portfolio Management, Capital Structure, Tax Reporting and Corporate Finance.

The aim of this project is to provide a reliable equity value of Ibersol SGPS, S.A., in order to aid potential investors to make an informed investment decision. In other words, the main goal is to find the fair price of the company's shares on the 31st December 2019 compare it with the trading price and, finally, give an investment recommendation. To do so, all the relevant information will be used in this analysis and two periods will be considered: 2016-2019 to collect historical data and 2020-2023 to create forecasts based on that historical data and own productions.

Ibersol SGPS, S.A., is a multi-brand group operating in the food service sector, with owned and franchised units in three segments: restaurants, counters and travel, concessions and catering. The company is present in the Iberian Peninsula and in Portuguese speaking countries. Moreover, Ibersol' shares were admitted on the Portuguese stock market for the first time in 1997 and 20 years later the company was selected to be part of PSI20 index.

Concerning the organization and structure of this project, initially we present the Literature Review, which contains a detailed description and explanation of the main valuation methodologies. The following chapter (chapter 3) presents a general analysis of the company and its performance in the last years. Then, in chapter 4, is conducted a brief analysis of the industry where Ibersol operates as well a review of some macroeconomic trends. The company's valuation is performed in chapter 5, based on the models previously exposed.

Additionally, for the DFC method, a sensitivity analysis is done to better understand the impact of some relevant variables (weighted average cost of capital and terminal growth rate) in the final share price. Finally, in the last chapter, the results are carefully analyzed in order to make a reliable recommendation for the future potential investors.

2. Literature Review

2.1 Corporate Valuation

Corporate Valuation is a crucial subject in the Finance area. According to Pinto *et al.* (2015), having skills related to valuation is a key element for achieving success when investing. Additionally, Koller *et al.* (2015) highlight the importance of value creation, since they believe that "Companies thrive when they create real economic value for their shareholders" and that "Managers who focus on shareholder value create healthier companies".

As previously mentioned, valuation plays an important role in several topics. Damodaran (2012) demonstrates this importance referring that valuation is an essential part in Portfolio Management, in Acquisition Analysis and in Corporate Finance. Regarding Portfolio Management, valuation helps investors in understanding the true value of stocks in order to generate profit. In Acquisition Analysis, valuation is critical for the bidding part to know the true value before making a bid and for the target firm to know if it should accept or reject the offer. About Corporate Finance, the objective is the maximization of firm value.

Fernandéz (2007) also explains the relevance of Corporate Valuation stating many purposes where it can be useful. Some of these purposes are: in company buying and selling operations, referring the highest price to the buyer and the lowest price to the seller; in valuation of listed companies, supporting the decisions of sell, buy or hold the shares; in the justification of the price at which shares are offered to the public; in the identification of value drivers; in strategic decisions regarding the business; and in strategic planning. Several other authors suggest many examples related with the applicability of Corporate Valuation. Pinto *et al.* (2015) are examples of authors that are in accordance with Fernandéz (2007) in this topic.

Although its importance, it is crucial to recall that measuring the value of a company it is not a simple and straightforward task due to the subjectivity that is included in the process. In order to avoid the exclusive use of complex models, Damodaran (2012) emphasizes that investors should consider the Principle of Parsimony, which states that "you do not use more inputs than you absolutely need to value an asset".

Most of the authors agree in the fact that there is not a best model and that it does not exist a method that can be considered as totally correct. The appropriate model will depend on many factors, like the characteristics of the company or the availability and quality of the data. Consequently, most of the investors use more than one method to value a business.

2.2 Valuation Methods

As previously referred, there are several valuation methods that can be used when valuing a company. Each of these models has its own specific characteristics, advantages and disadvantages.

In the view of Damodaran (2012) there are three approaches to Corporate Valuation: Discounted Cash Flow Valuation (DFC), Relative Valuation and Contingent Claim Valuation. The first one "relates the value of an asset to the present value of expected future cash flows on that asset". The second "estimates the value of an asset by looking at the pricing of 'comparable' assets relative to a common variable such as earnings, cash flows, book value or sales". The last one "uses option pricing models to measure the value of assets that share option characteristics".

Additionally, the Management consulting firm Stern and Stewart developed a well-known method called Economic Value Added (EVA). The main goal of this model is to demonstrate the true economic profit of a company.

2.2.1 Discounted Cash Flow Valuation

Starting with Discounted Cash Flow Valuation, this is the model that most of financial experts consider the best to measure the value of a company. Luehrman (1997) referred that "In the 1970s, discounted-cash-flow analysis emerged as best practice for valuing corporate assets". Damodaran (2006) shares the same opinion, stating "This approach gets the most play in classrooms and comes with the best theoretical credentials". Additionally, Fernandéz (2007) believed that "The methods that are becoming increasingly popular (and are conceptually "correct") are those based on cash flow discounting". More recently, in 2015, Koller *et al.* concluded that this model is still the favorite of many practitioners and academics since "…it relies solely on the flow of cash in and out of the company, rather than on accounting-based earnings (which can be misleading)".

In practice, DFC Valuation measures the value of a company by discounting back the expected cash flows that it will generate in the future, at a discount rate that reflects their riskiness.

Regarding the advantages of this model, Damodaran (2006) considers that when a valuation is done in the correct way, it requires that the investor clearly understands the business and the sustainability of the cash flows and risk. Moreover, in DFC Valuation the analysis should be

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focused in the fundamentals that drive value instead of in the market perceptions. On the other hand, the same author also illustrates some disadvantages while using this method: the valuation can be manipulated to generate values without a relationship with the intrinsic value and the model demands a lot of information in order to estimate cash flows, growth rates and discount rates.

According to Damodaran (2012), Discounted Cash Flow Valuation model includes two types of approaches: the Firm Valuation and the Equity Valuation. The first one considers the entire business in the valuation, whereas the other one only directly values the equity part.

2.2.1.1   Free Cash Flow to the Firm

The Free Cash Flow to the Firm (FCFF), which belongs to the Firm Valuation approach, is the preferable method among experts (Koller, *et al.*, 2015). This measure represents the cash flows available for all the claim holders after paying all the operating expenses and reinvestments. In other words, FCFF is a measure of a firm's profitability that represents the net cash flow generated by the company, including operational expenses, taxes and investments in working capital and in fixed assets.

This model uses a two-step approach: firstly, the Enterprise Value (EV) is computed, and after that, the Equity Value (EQV) is calculated. In order to determine the Enterprise Value, it is necessary to obtain the value of the FCFF.

$$FCFF = EBIT \times (1 - Tax\ rate) + Depreciation - \Delta\ Working\ Capital - CAPEX \quad (1)$$

The Enterprise Value is computed by discounting the expected cash flows at the Weighted Average Cost of Capital (WACC) and considering the Terminal Value for the perpetuity.

$$EV = \frac{FCFF_1}{(1 + WACC)^1} + \frac{FCFF_2}{(1 + WACC)^2} + \cdots + \frac{FCFF_n}{(1 + WACC)^n} + \frac{TV_n}{(1 + WACC)^n} \quad (2)$$

Where,

$FCFF_t$ – Free Cash Flow generated by the company in the period t

 n – Number of periods

TV_n – Terminal Value of the company in period n

WACC – Weighted Average Cost of Capital

When valuing a company assuming that it will generate future cash flows until perpetuity, the Terminal Value should be taken in consideration. This concept incorporates the impact of the long-term cash flows in the valuation, by discounting the long-term cash flows into the present, using a discount rate minus the expected growth rate of cash flows (g). Regarding this stable growth rate, Damodaran (2006) refers that it must not be higher than the growth rate of the economy where the company operates.

$$Terminal\ Value = \frac{FCFF_{n+1}}{Discount\ rate - g} \qquad (3)$$

As mentioned before, the second step of the Free Cash Flow to the Firm model is the calculation of the Equity Value. This value is obtained by adjusting the Enterprise Value in the following way:

$$EQV = EV - Financial\ Debt + Non-Operating\ Assets - Non-Operating\ Liabilities \qquad (4)$$

(sometimes non-operating liabilities are included in financial debt)

2.2.1.1.1 WACC (Weighted Average Cost of Capital)

As previously referred, the WACC is the rate utilized to discount the expected future cash flows to the present and represents "a weighted average of the costs of raising funding for an investment or a business" (Damodaran, 2016). Regarding the use of WACC in the FCFF model, Fernandéz (2007) stated that "this is the appropriate rate for this case, since we are valuing the company as a whole (debt plus equity), we must consider the required return to debt and the required return to equity in the proportion to which they finance the company".

The formula that may be considered when computing WACC is:

$$WACC = \frac{E}{D+E} \times r_E + \frac{D}{D+E} \times r_D \times (1-t) \qquad (5)$$

Where,

E – Market Value of Equity

D – Market Value of Debt

$\frac{E}{D+E}$ – Equity-to-Value Ratio

$\frac{D}{D+E}$ – Debt-to-Value Ratio

r_E – Cost of Equity

r_D – Cost of Debt

t – Corporate Tax Rate

The market value of equity is also known as market capitalization and can be obtained through the multiplication of the number of shares outstanding per the company's current stock price. The market value of debt represents the price that investors would be willing to pay to buy the company's debt. Concerning the equity and debt-to-value ratios, these elements define the weights of equity and debt in the capital structure, thus they reflect the percentage of each source that will be used in financing the investment.

The cost of debt is the return paid by a company to its creditors and debt holders, since these capital providers need to be compensated for the risk exposure that comes with lending to a firm. This rate can be calculated through the formula:

$$r_D = \left(R_f + credit\ spread\right) \qquad (6)$$

Where,

r_D – Cost of Debt

R_f – Risk-Free Rate

The cost of equity is the return that shareholders require for investing in a company. According to some authors, like Asquith and Weiss (2016), the most commonly accepted method to calculate this rate is the Capital Asset Pricing Model (CAPM).

2.2.1.1.2   CAPM (Capital Asset Pricing Model)

The Capital Asset Pricing Model describes a relation between the risk of investing in a security and the return that an investor expects to have with that investment. In theory, this model presumes that investors are waiting to be compensated in terms of time value of money and in risk they undertake. Some authors, like Fama and French (2004), claim that the CAPM "marks the birth of asset pricing theory".

$$r_E = R_f + \beta_L \times \left(R_M - R_f\right) \qquad (7)$$

Where,

r_E – Cost of Equity

R_f – Risk-Free Rate

β_L – Beta Levered

R_M – Expected Market Return

$(R_M - R_f)$ – Market Risk Premium

2.2.1.1.2.1 Risk-Free Rate

The risk-free rate is defined by Damodaran (2016) as "the rate of return you would expect to make on an investment with guaranteed returns". The same author also refers that a risk-free investment has no default and reinvestment risk. Regarding the default risk, experts consider that the risk inherent to government bonds is so small that they can be seen as safe securities.

Although Damodaran (2001) states that the risk-free rate is a rate on a zero-coupon government bond that matches the time horizon of the investment, the author explains that in practice the best proxy of the risk-free rate is a long-term government bond. Koller *et al.* (2015) share the same opinion, indicating the use of 10-year government bonds in developed economies, due to their high liquidity.

Another important topic to consider when defining the risk-free rate is the currency in which the cash flows are being valued. This currency has to be consistent with the currency of the government bonds used as a proxy. Therefore, if the company being valued is European, the chosen government bond should be European, ideally it should be a 10-year German bond.

2.2.1.1.2.2 Beta

The beta measures the systematic risk of an asset or portfolio. In other words, beta indicates the sensibility of the company's stock return to the fluctuations in the market. According to Koller *et.al.* (2015) "beta represents the stock's incremental risk to a diversified investor, where risk is defined by the covariance of the stock with the aggregate stock market". This indicator can be computed through the use of the following formula:

$$\beta = \frac{cov(r_E, R_M)}{\sigma^2(R_M)} \qquad (8)$$

Where,

r_E – Cost of Equity

R_M – Return of the Market Portfolio

$\sigma^2(R_M)$ – Variance of the Market Portfolio

As mentioned before, this formula traduces the correlation between the stock and the market return. Therefore, a beta of 1 indicates that the stock will change along with the market and a beta of 0 denotes that the stock and the market are uncorrelated. Additionally, a beta higher than 1 demonstrates that the stock is more volatile than the market, and consequently, a beta lower that 1 implies the opposite concept.

Furthermore, Damodaran (2012) outlined the importance of financial leverage and its impact in the firm's beta. The author introduced the notion of two types of betas: the Unlevered and the Levered Beta. The first one, also known as Asset Beta, belongs to firms with no debt, so is only determined by the assets owned by the company. On the other hand, Levered Beta, also called Equity Beta, represents a firm with a level of debt. Thus, shares of levered companies have a higher level of risk than the ones from an unlevered company.

The formula to calculate the Levered Beta is:

$$\beta_L = \beta_U + \beta_U \times (1 - t) \times \frac{D}{E} \qquad (9)$$

Where,

β_L – Levered Beta

β_U – Unlevered Beta

t – Corporate Tax Rate

$\frac{D}{E}$ – Debt to Equity Ratio

(In this formula it is assumed that the beta of Debt is zero and it is a simplified version, which is often used as it leads to higher levered betas.)

2.2.1.2 Free Cash Flow to Equity

The Free Cash Flow to Equity (FCFE) is one of the models of the Equity Valuation approach. This measure reveals the amount of cash flows available to shareholders after all the expenses, reinvestments and debt payments. In other words, "it is the cash flow distributed to the shareholders after covering fixed asset investments and working capital requirements and after paying the financial charges and repaying the corresponding part of the debt's principal" (Fernández, 2019).

This model can be calculated through the discounting of the total cash flows that remain for the shareholders at the cost of equity rate (rate of return required by the equity holders in the company). In mathematical terms:

$$FCFE = Net\ Income + Depreciation - CAPEX - \Delta\ Working\ Capital + \Delta\ Debt \qquad (10)$$

$$Equity\ Value = \frac{FCFE_1}{(1 + r_E)^1} + \frac{FCFE_2}{(1 + r_E)^2} + \cdots + \frac{FCFE_n}{(1 + r_E)^n}$$

$$+ \frac{\frac{FCFE_n \times (1 + g)}{(r_E - g)}}{(1 + r_E)^n} \qquad (11)$$

Where,

n – Number of Periods

g – Growth Rate

r_E – Cost of Equity

(In order to be able to use this expression the growth rate between year n-1 and year n must be also equal to g)

2.2.1.3   Dividend Discount Model

Another model included in the Equity Valuation approach is the Dividend Discount Model (DDM). According to this measure, which is considered as one of the most simple, the value of the equity is the present value of the expected future dividend payments.

There are several versions of this method. One of the most known is the Gordon Growth Model, which is applicable to firms that are growing at a stable growth rate. Besides this requirement, Damodaran (2012) highlighted that this model is only accurate if: the stable growth rate can be sustained forever, the dividend growth rate is lower or equal than the economy's growth rate (due to the perpetual growth assumption) and firm's other performance indicators are growing at the same rate as dividends. The formula used to apply this method is presented below:

$$Stock\ Value = \frac{Expected\ Next\ Dividend\ Per\ Share}{(Cost\ of\ Equity - Dividend\ Growth\ Rate)} \qquad (12)$$

Although this model is the simplest one and does not require so many assumptions like the other DCF methods, it brings uncertainty essentially because it is focused only on the dividends, leaving behind other issues like the non-core assets of the company.

2.2.2 Relative Valuation

As mentioned before, the second approach of Corporate Valuation in the opinion of Damodaran (2012) is Relative Valuation. This method, also known as Multiples, measures the value of a company using the values of comparable companies. These comparable companies should be prudently chosen. In the view of Damodaran (2006) and of Pinto *et al.* (2015), the analysts can choose a specific company with similar characteristics or can choose a peer group average, using an average of the multiples of that group. Regarding Kaplan and Ruback (1995), the company's value is estimated by multiplying the ratio or multiple from the comparable companies by the performance measure of the company being valued.

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Even though Relative Valuation is simpler to understand, easier to present to clients and uses fewer assumptions than DFC Valuation, it can lead to possible erroneous and biased interpretations. Moreover, this valuation method is static since it just represents the firm in a specific point in time (Damodaran, 2006 and Suozzo *et al.*, 2001). Therefore, Relative Valuation is recommended to be used as a complement of other method (Koller et al., 2015).

According to Damodaran (2006), Pinto *et al.* (2015) and Suozzo *et al.* (2001), there are two types of multiples: Equity and Enterprise multiples. The first type of multiples "express the value of shareholders' claims on the assets and cash flows of the business" (Suozzo *et al.,* 2001). On the other hand, the second type is related with the value of an entire business.

The following table illustrates the multiples more often utilized.

Equity Multiples	Enterprise Multiples
Price-to-Earnings (PER)	EV/EBITDA and EV/EBIT
Price-to-Book Value (PBV)	EV/Invested Capital
Price-to-Sales	EV/Sales

Table 1: Most Common Multiples

Starting with Equity Multiples, PER is the most widely used benchmark and measures how much an investor is paying for each unit of net income of a company. It is calculated dividing the market price per share of a company by its earnings per share.

$$PER = \frac{Market\ Price\ per\ Share}{Earnings\ per\ Share} \qquad (13)$$

The PBV multiple compares the market value of a company with its book value, so it is helpful to understand how over or undervalued a stock is.

$$PBV = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share} \qquad (14)$$

The last Equity Multiple referred is the Price-to-Sales ratio, which relates the company's stock price with its revenues, as demonstrated in the following equation:

$$Price - to - Sales = \frac{Market\ Value\ per\ Share}{Sales\ per\ Share} \qquad (15)$$

Regarding Enterprise Multiples, the preferable one among experts is EV/EBITDA, since it is the most appropriate to use when comparing companies with different levels of financial

leverage and since it is less likely to be affected by changes in capital structure. This benchmark compares the total market value of the firm, net of cash with its earnings before interest, taxes, depreciation and amortization.

EV/EBIT multiple is similar to EV/EBITDA ratio, but it takes into account depreciation and amortization.

Concerning EV/Invested Capital, this ratio indicates how valuable a company is relative to the capital that it has invested over the years.

To finish, EV/Sales multiple measures how much it costs to purchase the company's sales, comparing the enterprise value of a firm with its annual sales.

2.2.3 Contingent Claim Valuation

The last approach of Corporate Valuation, regarding Damodaran (2012), is Contingent Claim Valuation. A contingent claim is a derivative whose future payoff depends on the value of some other asset. The most used contingent claims are options, which are financial instruments that offer the right (but not the obligation) to buy or sell the underlying asset at a specified price at (or until) a predefined expiration date.

Consequently, and as referred before, this valuation method measures assets that have characteristics similar to options through the use of option pricing model. In 1997, Luehrman stated that this model was not widely used due to the fact that real businesses are more complex than simple put and call options. Recently, in 2015, Koller *et al.* shared the same idea: option pricing models can be powerful, but their application is still limited.

2.2.4 Economic Value Added

Management consulting firm Stern and Stewart developed a model called Economic Value Added (EVA). The main goal of this method is to measure the value that a company is generating from its investments. In other words, this "is a measure of the dollar surplus value created by and investment or a portfolio of investments" (Damodaran, 2001).

This model can be calculated in the following way:

$$EVA = Net\ Operating\ Profit\ After\ Tax\ (NOPLAT) - WACC$$
$$* Invested\ Capital\ BOY \qquad (16)$$

The main advantages of this model are the fact that it takes into account the cost of capital, since it uses the previously mentioned WACC, and the fact that is a performance indicator tool

really useful for managers, given that it can be the basis for the comprehension of financial management, decision-making and incentive system. However, EVA also has some disadvantages: is based in future earnings, and not in cash flows like DFC methods, and has the risk of biased interpretations.

Additionally, there is other concept closely related to EVA that is called Market Value Added (MVA). This measure represents the net present value of the expected future EVA values and demonstrates the difference between all the capital invested in the company and its market value, as presented in the following formula:

$$MVA = Market\ value\ of\ the\ firm - Total\ capital\ invested\ in\ the\ firm \quad (17)$$

According to Damodaran (2001), the major disadvantage of this model, comparing to the DCF method, is that it cannot be used to value a company on a business-unit level, it is only possible to do the valuation on the whole-firm level.

3. Ibersol SGPS, SA - Company Overview

3.1 Company Presentation

Ibersol SGPS, SA is a multi-brand group with presence in the Iberian Peninsula and in Portuguese-speaking countries. It operates in the food sector, being focused in the organized foodservice business. The group has as its core values Quality, Safety and Environment and has really qualified and motivated employees, that are committed to fully satisfying the consumer needs.

Ibersol Group offers services in three different segments: Restaurants, Counters and Travel, Concessions and Catering. This last area includes service stations on motorways and airports. Besides, some units are self-owned by the company while others are franchised.

The Group owns and explores a large number of firms, majorly within the food industry. This group is composed by 30 subsidiaries, most of them totally owned by the holding company, as showed in the next figure.
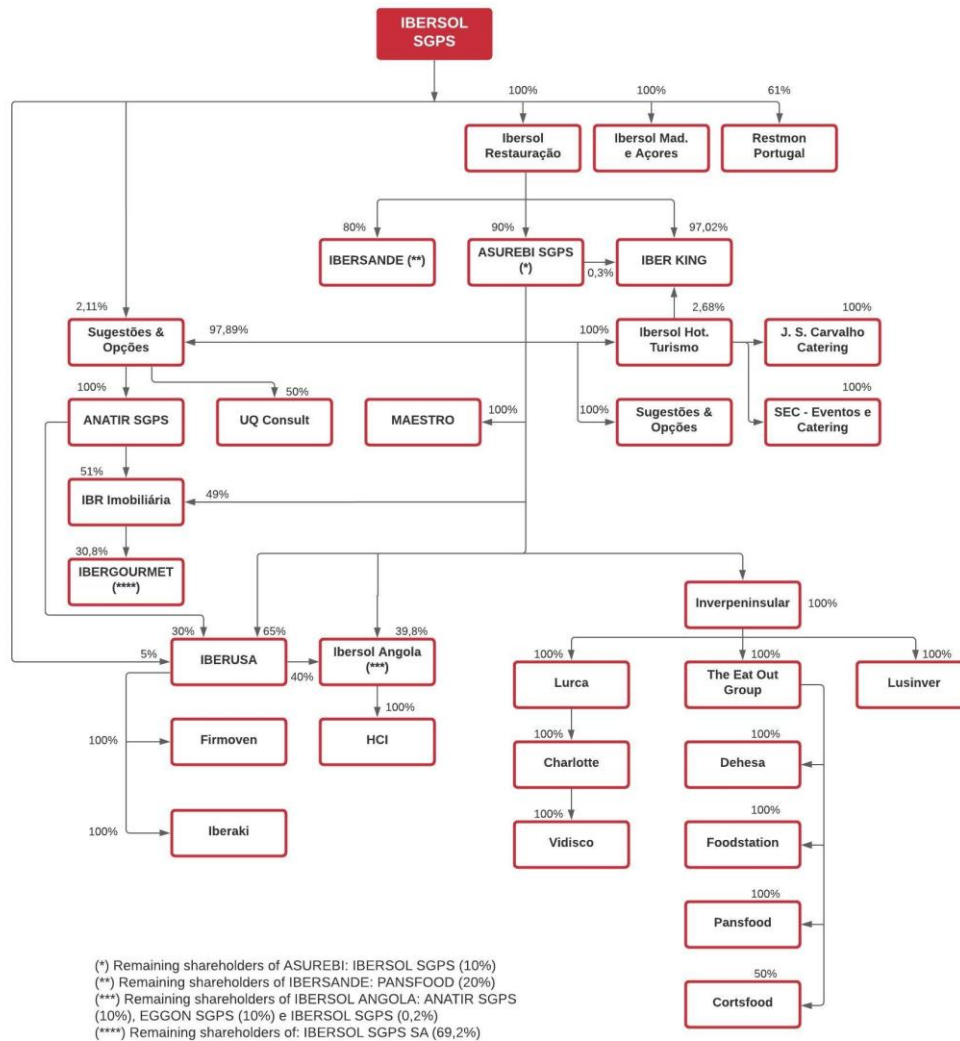
Figure 1:Ibersol Group Structure

Source: Company Information

3.2 Company History

Ibersol started to operate in the foodservice sector in 1989, with the aim of developing the Pizza Hut business. In the following years, it was incorporated in the tourism sector of Sonae Group, then the company entered in other segments of the foodservice industry and started operating hotels. Later in 1994, Pargeste acquired Ibersol with the purpose of expanding the company to the areas of catering and leisure. With the same objective, in 1995, Ibersol made a franchising contract with Pepsico to implement the KFC brand in Portugal. In the subsequent year, in order to continue developing the business, Ibersol made a deal with a firm that owned Pans & Company, designed the concept of Pasta Caffé and obtained a company which held a strong presence in airports, motorways, and railways and that had invested in the Brazilian food area.

In 1997, the company's shares were admitted to the Portuguese stock market for the first time. By the end of the 1998, Ibersol was already one of the largest employers of the country and was actively involved in the segments Pizza, Chicken, Sandwiches, Brazilian food, Pastas, Traditional food, Hamburgers and American food.

The following years were characterized by a constant growth of the group, both in Portugal and in Spain, even when the economic context was difficult with e persistent decrease in consumption. In 2008, Ibersol obtained its first certification in food safety, which was extended to 22 units in only one year. By this time, the company also gave particular attention to the training of its employees.

Due to the strong economic and social turbulence experienced throughout Europe in 2010, Ibersol Group, faced a new challenge. Thus, to overcome this situation, the company adapted its position, innovating the multi-concept offer, restructuring its portfolio and managing all the axes of its operations. Additionally, in order to consolidate its strategy of internationalization, in 2012 the firm started its operation in Angola with the KFC brand, opening the first global and modern foodservice chain in that country.

After this challenging period, the economy began to show positive signs, therefore Ibersol main focuses were: the readjustment and modernization of the portfolio, the valorization of its workers and the broadening of the markets where it operates by expanding to the Portuguese-speaking countries, particularly in the African continent. Furthermore, with the acquisition of the Eat Out Group, in 2016, the company became one of the most important restaurant groups in the Iberian Peninsula. As a result, in March of 2017 Ibersol was chosen to be part of PSI20 index.

In the end of 2019, Ibersol Group inaugurated other food segment in Portugal: Mexican food, opening two units of the famous brand Taco Bell.

3.3 Company Structure

As of 31 December 2019, Ibersol SGPS, SA share capital totals 36,000,000€, which represents 36 million ordinary shares, registered with a nominal value of 1€ per share and all carrying the same rights and obligations.

The main shareholder is ATPS SGPS, SA with 54.92% of the company. The voting rights attributable to this investor are also attributable to António Pinto de Sousa and António Alberto Teixeira, president and vice-president, respectively, of the Ibersol Group, since they are holding the domain company, in which participate indirectly in equal parts through CALUM – Serviços

e Gestão SA and DUNBAR – Serviços de Gestão, companies that together hold the majority of the share capital of ATPS SGPS, SA.

The second largest investor with a 10.68% stake is Bestinver Gestion. The remaining qualified entities with at a participation of at least 2% of Ibersol are FMR LLC, Magallanes Iberian Equity FI, Gosha Holdings SARL and River and Mercantile Asset Management.

Graph 1: Ibersol Shareholder Structure
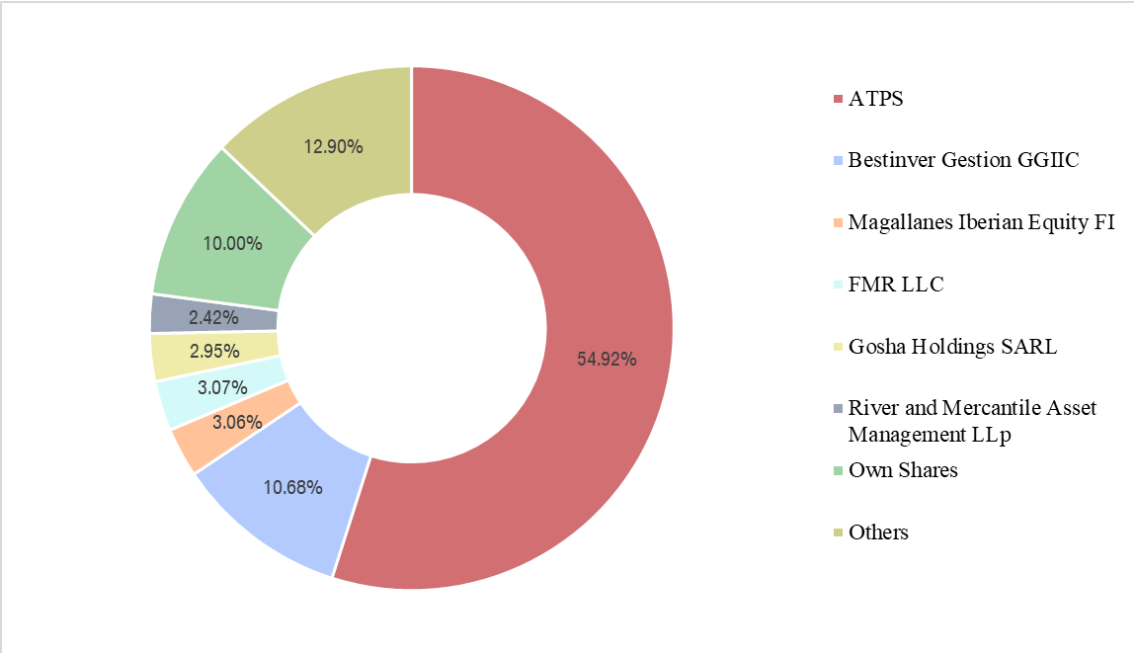
Source: Company Information

3.4 Business Segments

As referred before, Ibersol Group currently operates in three different segments: Restaurants, Counters and Travel, Concessions and Catering.

Figure 2: Ibersol Brands

Source: Company Information

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The Restaurant segment includes six brands: Pizza Hut, Pasta Caffé, Pizza Móvil, Ribs, Santamaría e FresCo. The number of opened units in the end of 2019 was 203, which means that this indicator decreased 13.6% since 2016. Although, the restaurant sales increased from 78,7 million euros to 109,7 million euros in the period under analysis, due to the performance of Pizza Hut brand.

Regarding the Counters area, it is composed by Burger King, KFC, Pans & Company, Miit and Taco Bell brands and is the principal area of this business, since theirs annual sales represent around 50% of the total annual sales in each of the years considered. As shown in table 2 in 2019 Ibersol reported 226,8 million euros in the counters sales of 325 units. The brands that highlight this results are mainly KFC and Burger King.

The last segment is Travel, Concessions and Catering. The Travel business is carried out in the service stations on motorways and in airports, having a management based on the multi-brand concept. Concerning service stations, the umbrella brand Sol is the most relevant, and in terms of airports, Ibersol Group operates with own concepts like Go To Coffee & Food, Clocks, Nove, Specially, Cockpit Coffee & Taps and Saudade and with franchised brands like Pizza Hut, KFC, Burger King and Go Natural in Portugal and with own brands, such as Pans & Company, Ribs, Café Pans and Santamaría in Spain. The Concessions area includes spaces that are operated by the group under a concession contract, namely Fundação Serralves, VOG Tecmaia and the Campanhã Train Station. Finally, the Catering business is represented by Palace Catering and Silva Carvalho Catering brands and by the exclusively exploration of Porto University Club.

This segment also demonstrates an increase in the annual sales of 2019 comparing with the previous year. However, in 2018 it was the only area which registered a reduction, caused by some modifications on the concessions contracts of three Spanish airports that made several units not operational during the year. Through 2019, the company was able to recover the sales revenue due to the conclusion of the full renovation of some units and to the positive performance of the Catering activity. For these reasons, in the end of the year, the sales volume of the business Travel, Concessions and Catering was 133 million euros in 124 units.

	2016		2017		2018		2019	
	Number of Units	Sales	Number of Units	Sales	Number of Units	Sales	Number of Units	Sales
Restaurants	235	78,7	224	99,4	214	101,8	203	109,7
Counters	291	150,0	293	204,0	304	204,3	325	226,8
Travel, Concessions & Catering	131	38,1	121	137,3	116	126,7	124	133,0
Total	657	266,8	638	440,7	634	432,8	652	469,5

Table 2: Number of Units and Sales, in Million €, by Business Segment
Source: Company Information

3.5 Geographical Presence

Ibersol SGPS, SA has presence in the Iberian Peninsula and in Portuguese-speaking countries, as previously mentioned. To be more precisely, these countries are Portugal, Spain and Angola.

In 2019, 54% of Ibersol's turnover was generated in Portugal, while 44% was originated in Spain. The remaining 3% correspond to Angola's turnover. Comparing to the previous year results, it was the positive evolution of Portugal that allowed the group to minimize the reduction of the other countries contribution to the total turnover.

Graph 2: Ibersol Turnover by Country, in Million €
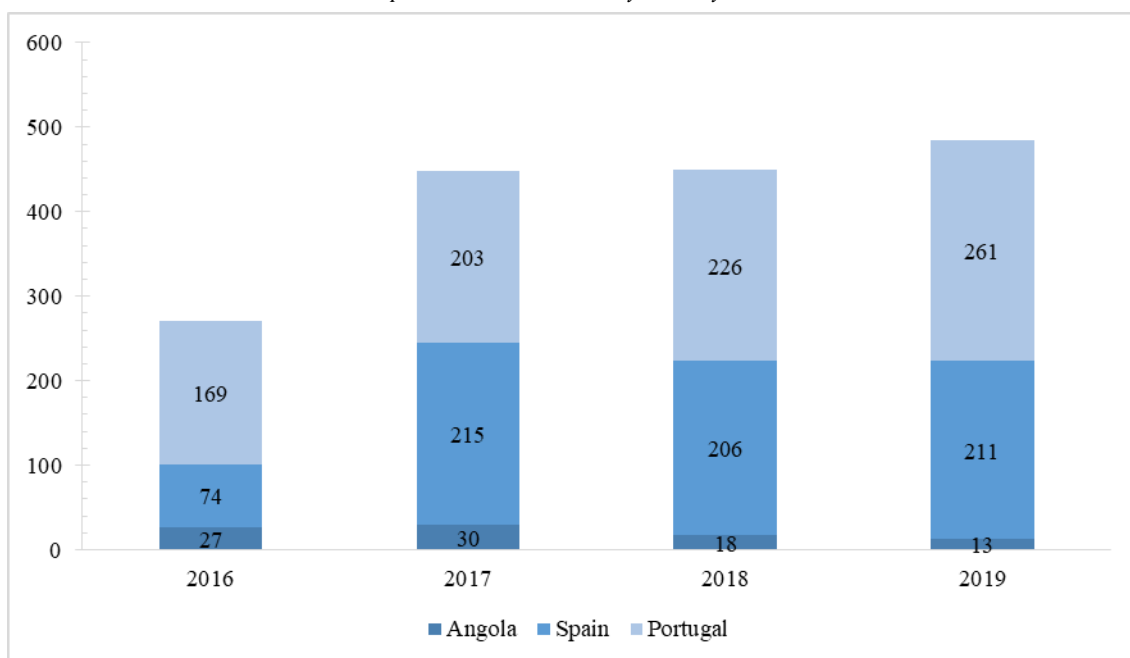
Source: Company Information

Regarding the number of units per country, the number of franchised units of the three countries has been decreasing in the period under analysis, while the number of self-owned units has been increasing, with only a barely decrease of 2 units between 2016 and 2017, as one can observe from table 3. By the end of 2019, Ibersol was operating with 355 units in Portugal, of which only 1 is franchised, with 287 units in Spain, 183 of which are self-owned, and with 10 units in Angola, all self-owned.

	2016		2017		2018		2019	
	Franchised	Self-Owned	Franchised	Self-Owned	Franchised	Self-Owned	Franchised	Self-Owned
Angola	0	10	0	10	0	10	0	10
Espanha	152	188	135	177	117	175	104	183
Portugal	1	306	1	315	1	331	1	354
Subtotal	**153**	**504**	**136**	**502**	**118**	**516**	**105**	**547**
Total	**657**		**638**		**634**		**652**	

Table 3: Number of Units by Country

Source: Company Information

3.6 Stock Performance

As previously mentioned, Ibersol SGPS has been listed in the Portuguese stock market since 1997 and has been part of the main Portuguese index - PSI20 - since 2017. During the period under analysis, Ibersol stock has appreciated 58.2% while PSI20 index has devaluated 0.33%.

According to graph 3, over 2016 the performance of the company has increased, and outperformed the market during 2017, reaching the highest value of 10.93€ in September. Since the company has become part of the index, its performance has been quite similar to the behaviour of PSI20, which suggests that there is a correlation between the returns of Ibersol stock and the performance of the Portuguese benchmark. The tendency of 2019 shows a constant behaviour during the year, with a slight decrease followed by a small increase in the last months. The company closed the year with a price per share of 8.00€.

As a complement, graph 4 shows the relative evolution of Ibersol and PSI20 performances during the period 2016-2019. According to the rebased quotations, the index kept a stable behaviour during all the period while the company showed a significant increase throughout the first year.

Graph 3: Ibersol Share Price Evolution (€) vs PSI20
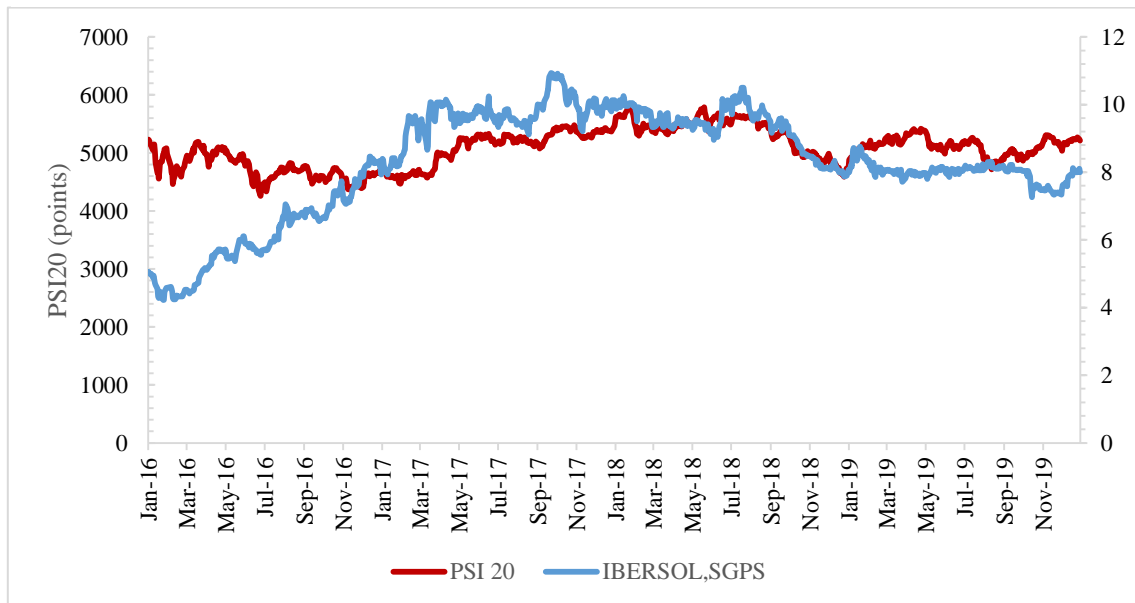
Source: Euronext

Graph 4: Ibersol Share Price Evolution (€) vs PSI20 Rebased
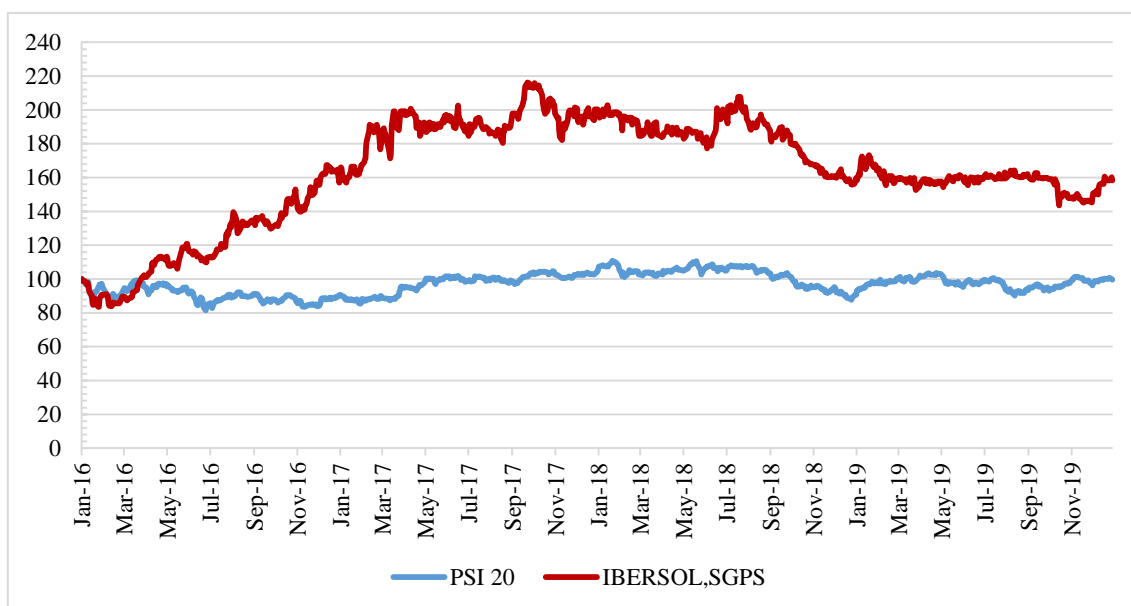
Source: Euronext

3.7 Business Overview

Looking at the Ibersol as a whole, the total number of units of the company has been slowly decreasing between 2016 and 2018 and then improved in 2019, given that the amount of franchised units has been lower year after year and the number of self-owned units have barely declined in one period and increased in the other periods, as previously showed in table 3. Therefore, Ibersol Group closed 2019 with 652 units: 547 self-owned and 105 franchised.

Regarding Ibersol's turnover, it has been growing in the last years. The sharp growth of 66.2% between 2016 and 2017 was caused by the acquisition of Eat Out Group and the category that increased more in percentage terms was Services Rendered, through royalty's revenues from franchises. Between 2017 and 2018, there was also growth, although not as strong as in the previous interval, since the positive evolution registered in the restaurant market in Portugal was heavily affected by the decreased activity in the Spanish airports and by the devaluation of Angolan currency. In the last period under analysis, Ibersol's turnover also registered an increase, with the positive results from Portugal being affected by the same reasons as in the previous year. Thereby, in 2019 the company reached a turnover of 485,4 million euros.

	2016	**2017**	**2018**	**2019**
Turnover	269,8	448,3	450,1	485,4

Table 4: Ibersol Turnover, in Million €

Source: Company Information

In 2019 Ibersol SGPS adopted new accounting rules regarding leases, IFRS16, and chose to apply the modified retrospective method in its consolidated accounts, according to which historical figures are not updated. In order to make the figures most convenient to compare, and since the company did not change the method to evaluate the operating performance of its business, the following analysis does not apply the IFRS16.

In terms of EBITDA, from 2016 to 2017, Ibersol Group performance increased 38.6%, as a result of the already referred acquisition of Eat Out Group. During 2018, the company obtained a value of 61 million euros which shows a reduction of 6.5% comparing with previous year result of 65,2 million euros. In 2019, Ibersol achieved an amount of 60 million euros, evidencing a drop of 1.5%. Concerning EBITDA margin, it reached the lowest value, of the period under analysis, in 2019, being 12.4% of business volume.

*Graph 5: Ibersol EBITDA, in Millions € (*Exclud. IFRS16)*
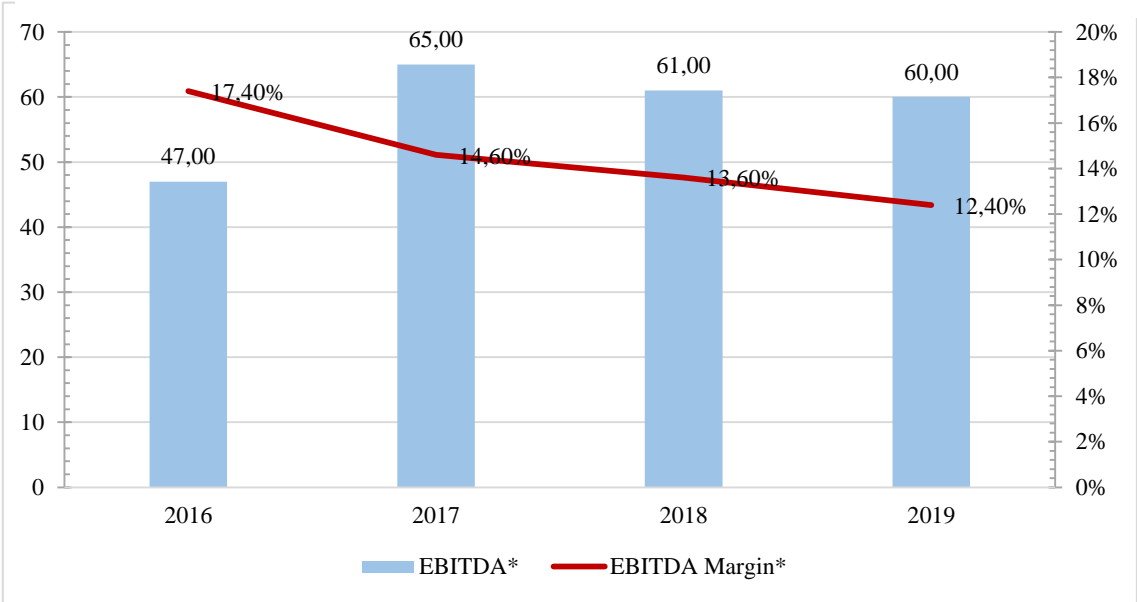
Source: Company Information

As can be seen in table 5, the behaviour of net profit was similar of EBITDA until 2018. However, in 2019 the value grew around 8%, when compared to the previous year, achieving a value of 27,1 million euros.

	2016	2017	2018	2019 (Excl. IFRS16)
Net Profit	23,3	31,3	25,1	27,1

Table 5: Ibersol Net Profit, in Million €

Source: Company Information

4. Market Overview

4.1 Macroeconomic environment

According to IMF, after mid 2018 the world economy experienced a period of lower expansion, registering levels of growth as low as during the global financial crisis in 2008. This decrease in the growth rates may be explained by geopolitical tensions and trade wars between economic blocks.

During 2019, the projections were considering a small recovery in the worldwide growth rates. However, in the beginning of 2020 the COVID-19 global pandemic changed all the scenarios, requiring several protection measures and rising human costs, resulting in a sharply decrease of world GDP by -3.3%.

The world is still remaining in uncertain times due to the appearance of new variants of the virus, but with vaccination process ongoing and fiscal support for a few large economies, global growth is projected at 6% in 2021 and 4.4% in 2022.

Regarding Portugal, the economic situation is similar to the world economic performance: the country was recovering after the financial crisis due to contribution of exportations, but with the pandemic in 2020, the GDP growth rate dropped 7.6%. The outlook for the following years is positive, with an expected increase in consumption and an improvement of sanitary situation. The projections are considering a growth of 3.9% and 4.8% in 2021 and 2022, respectively. As a result, the unemployment rate, that was diminishing year after year, is expected to increase in the next times.

The economic performance of Spain has been really identical as the one described in Portugal, with GDP growth falling by 11% in 2020, and with growth projections of 6.4% and 4.7% in 2021 and 2022, respectively. The unemployment rate is also expected to achieve higher values in the following period.

Concerning Angola, the economy was still postponing the recovery in 2019, and moreover, with the pandemic the economic downturn of the country worsened in 2020. Some factors like the decline of oil prices, the currency depreciation and the decrease of the domestic and foreign demand also strained the economy, leading GDP growth rate to fall 4%. Even though the scenario in the country is not very favorable, the projections for the next years still point to a slight recovery of the economy: a growth of 0.4% in 2021 and 2.4% in 2022.

Graph 6: Real GDP Growth
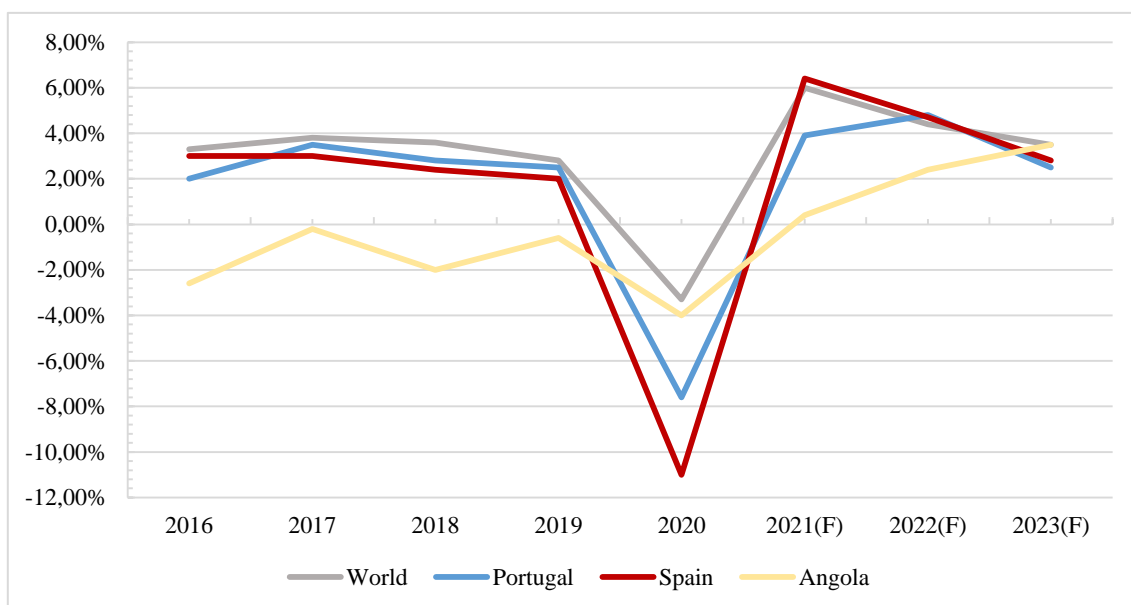
4.2 Industry Overview

According to Eurostat database, in 2018 the countries belonging to European Union obtained a total turnover of around 380 million euros in the sector of food and beverage services. France is the country that recorded the highest level of turnover (75,6 million euros), which represents 19.86% of the European Union total. The other countries that contributed significantly are Germany (17.79%), Italy (16.10%) and Spain (13.46%), as one can see in graph 7.
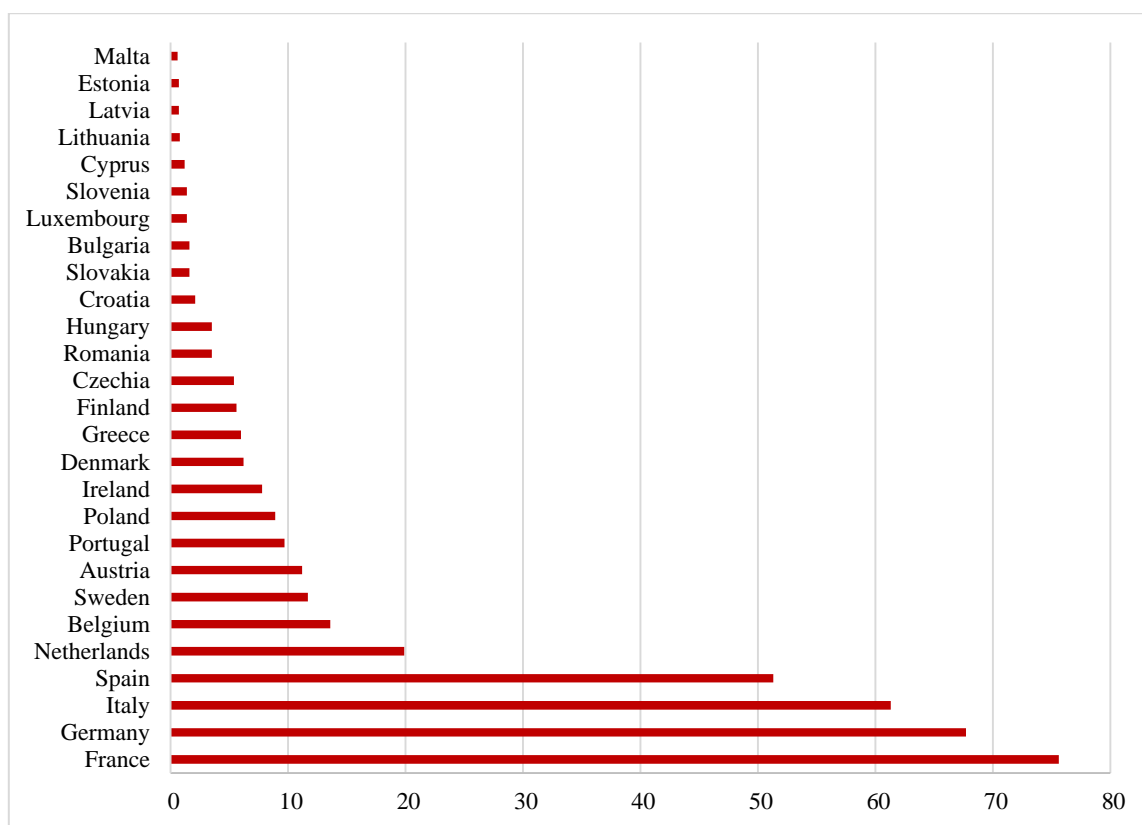
Source: Eurostat Database

In employment terms, these four countries are also the ones with higher number of people employed, representing 64.09% of the total number of employees in European Union (8,153 million people).

Concerning trends for the future years, Jones Lang LaSalle Food Service Consulting Team expects the growth of the food delivery European market to more than the double in 2023 comparing to 2017 results.

On the other hand, an article from McKinsey & Company analysis how should the European restaurant industry behave and react after the COVID19 global pandemic. This research concludes that changes must be made in three fundamental areas: channel strategy, menu optimization and business model. Regarding channel strategy, the pandemic speed up the use of digital channels, such as delivery, click and collect and online ordering and also accelerate a pre-pandemic trend: "staying in is the new going out". About menu optimization, restaurants must adapt their menus based on the current consumer preferences and also according to the channel used. For example, if they have online delivery or take-away options available, their menu should have products and packages that are able to travel, preserving the

high quality. Finally, restaurant owners should think about innovating in partnerships, changing physical localization or reconfiguring the space (with drive-thru or delivery lanes).

5. Valuation

5.1 Methodology

From the models presented in chapter 2, the most reliable one is the Discounted Cash-Flow. Within this model, the most used by experts and accurate approach is the Free Cash Flow to the Firm, therefore it was the first model considered in the valuation of Ibersol Company.

The second method selected was the Economic Value Added model as it brings a different approach and as it is a performance indicator tool very convenient and practical to professionals.

The last model chosen to be a complement to the others in Ibersol valuation was Relative Valuation. This method compares the company's performance to the performance of its peers.

In order to find the fair price of Ibersol SGPS shares, some assumptions were taken into consideration for the explicit period of the valuation (2020-2023) and for the terminal value. These assumptions are explained in more detail in the following chapter.

5.2 Assumptions

5.2.1 WACC (Weighted Average Cost of Capital)

As stated in chapter 2.2.1.1.1, the WACC is the appropriate discount rate to use in the Free Cash Flow to the Firm model since it considers both categories of capital (debt and equity).

The following table exhibits the output obtained through the estimation of the WACC of Ibersol SGPS. The assumptions of each parameter are explained afterwards.

	Ibersol SGPS
Market Value of Equity	288,000,000
Market Value of Debt	461,274,582
Cost of Equity	11.86%
Cost of Debt	3.23%
Corporate Tax Rate	23.75%
WACC	6.07%

Table 6: WACC Calculation

Source: Company Information, Damodaran's Website, Bloomberg Terminal and Own Projections

5.2.1.1 Capital Structure

The market value of equity was obtained by multiplying the number of shares outstanding (36.000.000) by the marked price as of 31/12/2019 (8.00€). Thus, the market capitalization was 288 million euros.

The market value of debt was computed considering the company's balance sheet at the end of 2019, obtainable in Ibersol SGPS Annual Report of 2019. The items considered were loans, liability for leases and derivative financial instrument. The total amount is 461.274.582 euros. It was assumed that the market value of debt is equal to its book value.

5.2.1.2   Cost of Debt

The cost of debt may be defined as the effective interest rate a company pays in its own financial debt obligations, in accordance with its average default spread and the current risk-free rate. The most frequently used method to determine the company default spread is calculating its Interest Coverage Ratio, which makes possible to find how easily a company can pay interest on its outstanding debt.

As showed in table 7, the interest coverage ratio of Ibersol was estimated with EBIT and Interest expenses figures of 2019 and was then used as input in the rating estimation model provided by Damodaran.

	2019
EBIT	32,920,051
Interest Expenses	3,179,971
Interest Coverage Ratio	10.35

Table 7: Interest Coverage Ratio

Source: Company Information

Regarding the information available in Damodaran's website, the following credit risk premium rates applies to non-financial service firms with market capitalization under $5 billion:

For all emerging market firms and developed market firms with market cap < $5 billion			
Interest Coverage Ratio greater than	Interest Coverage Ratio smaller than	Rating	Spread
12.5	100000	Aaa/AAA	0.63%
9.5	12.499999	Aa2/AA	0.78%
7.5	9.499999	A1/A+	0.98%
6	7.499999	A2/A	1.08%
4.5	5.999999	A3/A-	1.22%
4	4.499999	Baa2/BBB	1.56%
4	4.499999	Ba1/BB+	2.00%
3	3.499999	Ba2/BB	2.40%
2.5	2.999999	B1/B+	3.51%
2	2.499999	B2/B	4.21%
1.5	1.999999	B3/B-	5.15%
1.25	1.499999	Caa/CCC	8.20%
0.8	1.249999	Ca2/CC	8.64%
0.5	0.799999	C2/C	11.34%
-100000	0.499999	D2/D	15.12%

Table 8: Default Credit Spread

Source: Damodaran's Website

Therefore, as per Ibersol's interest coverage ratio, the default credit spread to consider is 0.78%. Adding this value to the risk-free rate, which will be explained afterwards, a cost of debt of 3.23% was obtained.

5.2.1.3   Cost of Equity

The cost of equity was achieved with the CAPM model, which takes into consideration three different variables: the risk-free rate, the market risk premium and beta.

Firstly, the risk-free rate that was considered was the yield of the 10-year German Government Bond, as it is the widely accepted as best proxy of a risk free investment in the euro currency. According to Bloomberg, at December of 2019 this value was -0,19%. However, since the cash flows of Ibersol are mostly generated in Portugal and Spain, which are countries with higher volatility of its Government Bonds than the German ones, it is not entirely accurate to use this yield. Therefore, an average of the country risk premium of both Iberian countries (available in Damodaran's website) was added. Having this said, the risk-free rate was -0.19% + 2.64% = 2.45%.

The market risk premium was also obtained using the data of historical implied equity risk premiums presented in Damodaran's website. Likewise, in risk-free rate calculation, an Iberian country risk premium was considered. As such, the market risk premium assumed was 5.20% + 2.64% = 7.84%.

The last parameter to achieve the cost of equity is Beta. The company's levered beta was computed from the unlevered beta corrected for cash of the restaurant/dining industry, which according to Damodaran's website was 0.54. As explained in chapter 2.2.1.1.2.2, considering a debt beta of zero, Ibersol's capital structure and the tax rate (that will be explained in chapter 5.2.1.4), the levered beta determined by the following formula was 1.2.

$$\beta_L = \beta_U + \beta_U \times (1 - t) \times \frac{D}{E} \qquad (9)$$

$$\beta_L = 0.54 + 0.54 \times (1 - 0.2375) \times \frac{461,274,582}{288,000,000}$$

$$\beta_L = 1.2$$

Finally, the table below summarizes the values used to calculate cost of equity, which result in a cost of 11.86%.

	Explicit Period
Risk-free Rate	2.45%
Market Risk Premium	7.84%
Levered Beta	1.2
Cost of Equity	11.86%

Table 9: Cost of Equity

Source: Damodaran's website and Bloomberg Terminal

5.2.1.4 Corporate Tax Rate

As previously referred, the company has most of its activity in Portugal and Spain, thus the tax rate must reflect both countries joint effect. The Portuguese corporate tax rate is 21%, to which is added to a municipality surtax of 1.5%. On the other hand, the Spanish corporate tax rate is 25%. As a result, a 23.75% tax rate was considered in the valuation.

5.2.2 Operating Income

5.2.2.1 Sales and Rendered Services

Given the pandemic situation that surprised and changed the world in 2020, it would not be prudent to forecast the evolution of sales and rendered services considering only the historical

information on sales. Additionally, it would be more accurate to consider also the forecasts made by Ibersol SGPS and some external factors like government measures to manage the pandemic.

According to the company's preliminary results of 2020, Ibersol was registering a loss of 40% in its sales and rendered services. The segment more affected was Travel, Concessions and Catering due to the reduced mobility of people and the limitations imposed on the agglomeration of people at events. Moreover, other government measures, such as the reduced schedule of restaurants and shopping centers and limitations in occupancy of the rooms, also affected Ibersol's business. However, the delivery, take-way and specially the Drive services grew a lot during these inconstant times, which was important to overcome the losses of the other sectors.

Being this said, it was considered a decrease of 40% for 2020, when compared with the performance of the previous year. Afterwards, a more positive but not too optimistic scenario was forecast as we are still living in very unstable times, though vaccination is giving back hope to people. Thus, it was estimated that the company would only achieve the same level of sales as pre-covid after 4 years (i.e. in 2023).

	Historical				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Sales & Rendered Services	269,833	448,329	450,111	485,387	291,232	364,041	436,849	511,113
% growth		66.15%	0.40%	7.84%	-40.00%	25.00%	20.00%	17.00%

Table 10: Sales and Rendered Services Evolution, in Million €

Source: Company Information and Own Projections

5.2.2.2 Other Operating Income

Regarding other operating income, historical data shows that this topic has been corresponding between 2% and 3% of sales and rendered services. Despite the financial supports given by governments, due to the pandemic situation, a cautious approach was considered, with a percentage of 2% of the sales in all the forecast period.

	Historical				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Other Operating Income	9,090	9,781	9,923	13,296	5,825	7,281	8,737	10,222
% Sales & Rendered Services	3.37%	2.18%	2.20%	2.74%	2.00%	2.00%	2.00%	2.00%

Table 11: Other Operating Income Evolution, in Million €

Source: Company Information and Own Projections

5.2.3 Operating Costs

Since operating costs are directly related with sales and rendered services, it is easier to determine these costs now that the values of sales for the period under analysis are already estimated.

5.2.3.1   Cost of Sales

As the cost of sales is directly related to sales, when using a percentage of sales to predict the values, the negative impact of the pandemic situation is also taken into consideration. Therefore, the percentage of sales considered to forecast the cost of sales was the average historical weight values of the last two years.

	Historical				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Cost of Sales	64,547	102,831	108,799	117,329	70,478	88,098	105,717	123,689
% Sales & Rendered Services	23.92%	22.94%	24.17%	24.17%	24.20%	24.20%	24.20%	24.20%

Table 12: Cost of Sales Evolution, in Million €

Source: Company Information and Own Projections

5.2.3.2   External Services and Supplies

External services and supplies include the values of subcontracts and some services, such as electricity, water, fuel, royalties, advertising or specialized works.

Before the adoption of the new accounting rule IFRS16 in 2019, Ibersol also used to include the costs with rents and rentals in this topic. With this new rule, the differentiation between operating leases and finance leases was eliminated at the lessee level, and the new model accounts it as an asset identified with a right to use and a corresponding liability for all lease agreements. Thus, and as in 2019 the amount of rents refers only to contracts with a maturity of less than one year, the total costs of external services and supplies decreased around 30%, when comparing to 2018. Consequently, the value for the period under analysis was estimated as a percentage of sales and rendered services, considering only the historical weight value of 2019, which was 22%.

	Historical				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
External Services and Supplies	83,880	149,502	149,938	105,017	64,071	80,089	96,107	112,445
% Sales & Rendered Services	31.09%	33.35%	33.31%	21.64%	22.00%	22.00%	22.00%	22.00%

Table 13: External Services and Supplies Evolution, in Million €

Source: Company Information and Own Projections

5.2.3.3   Personnel Costs

The personnel costs incorporate salaries and wages, social security contributions, personnel meals, work accident insurance and others.

According to Ibersol's preliminary results of the third quarter of 2020, the personnel costs decreased around 30%, as the company applied for the lay-off programs of the Portuguese and Spanish governments, which protected the employees and reduced the costs to the employer. Additionally, as a food sector company, with the staff at home, the costs related to meals, also dropped. However, this reduction of personnel costs is not higher since some financial programs from governments impose no dismissals and due to the services of delivery, take-away and drive, which grew considerably during the pandemic, as previously referred.

Thereby, it was considered a decrease of 30% for 2020, when compared with the performance of the previous year. For the following years, it was estimated that these costs would increase, always maintaining them around 30% of sales and rendered services. Considering the target of achieving in 2023 the same level of sales as before the pandemic, it was therefore predicted that personnel costs also would be close to the values of 2019, being only 1% higher to overcome the possible increase of minimum wages.

	Historical				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Personnel Costs	79,968	135,319	137,120	151,967	106,377	132,971	146,268	153,582
% Growth		69.22%	1.33%	10.83%	-30.00%	25.00%	10.00%	5.00%
% Sales & Rendered Services	29.64%	30.18%	30.46%	31.31%	36.53%	36.53%	33.48%	30.05%

Table 14: Personnel Costs Evolution, in Million €

Source: Company Information and Own Projections

5.2.3.4   Other Operating Costs

The other operating costs include items like losses in fixed assets, direct/indirect taxes not assigned to operating activities, impairment adjustments, membership fees, donations samples and inventory offers. The estimated value, for the forecasted period, was also a percentage of the sales based on the average historical weight values of the last four years.

	Historical				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Other Operating Costs	3,419	5,180	3,127	4,834	3,000	3,750	4,500	5,264
% Sales & Rendered Services	1.27%	1.16%	0.69%	1.00%	1.03%	1.03%	1.03%	1.03%

Table 15: Other Operating Costs Evolution, in Million €

Source: Company Information and Own Projections

5.2.4 Depreciations and Amortizations

This topic includes depreciations, amortizations and impairment losses of tangible fixed assets, rights of use, goodwill and intangible assets.

As mentioned before, Ibersol adopted IFRS16 in 2019 and chose to apply the modified retrospective method in its accounts, where historical figures are not updated. For this reason, it is not very accurate to forecast the figures for the period under analysis considering the historical values of depreciations. Hence, a growth rate of 2% was used to estimate the values until 2023, which can compensate for the inflation rate and which allows depreciation costs to represent the same percentage of sales, as in 2019.

	Historical				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Depreciations & Amortizations	16,778	31,922	29,795	86,616	88,348	90,115	91,917	93,756
% Growth		90.26%	-6.67%	190.71%	2.00%	2.00%	2.00%	2.00%
% Sales & Rendered Services	6.22%	7.12%	6.62%	17.84%	30.34%	24.75%	21.04%	18.34%

Table 16: Depreciations and Amortizations Evolution, in Million €

Source: Company Information and Own Projections

5.2.5 Working Capital

The net working capital is a common used measure of a company's liquidity and corresponds to the difference between operating current assets (inventories and account receivables) and operating current liabilities (accounts payable).

In order to forecast the changes in working capital until 2023, the historical data of Ibersol was used to calculate the net working capital of the last 4 years, its changes per year and the percentage of working capital regarding yearly sales, as shown in the following table.

	Historical			
	2016	2017	2018	2019
Inventories	11,547	12,090	11,622	12,015
Income Tax Receivable	2,332	5,046	3,575	1,503
Other Current Assets	24,798	19,824	27,617	31,681
Current Assets	**38,677**	**36,960**	**42,814**	**45,199**
Accounts Payable to Suppliers	65,500	67,522	81,388	77,817
Income Tax Payable	2,350	0,325	0,163	0,690
Other Current Liabilities	18,626	18,270	13,256	14,566
Current Liabilities	**86,476**	**86,117**	**94,807**	**93,072**
Net Working Capital	-47,799	-49,158	-51,993	-47,874
Changes in Working Capital		-1,358	-2,835	4,120
% Sales & Rendered Services	-17.71%	-10.96%	-11.55%	-9.86%
Average % Sales & Rendered Services	-12.52%			

Table 17: Historical Data of Working Capital, in Million €

Source: Company Information

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Afterwards, the average of the percentage of working capital regarding the yearly sales (-12.52%) was considered as the forecast driver to apply to the previously estimated values for sales and rendered services.

	Forecast			
	2020	**2021**	**2022**	**2023**
Sales & Rendered Services	291,232	364,041	436,849	511,113
Average % Sales & Rendered Services	-12.52%	-12.52%	-12.52%	-12.52%
Net Working Capital	-36,472	-45,590	-54,708	-64,008
Changes in Working Capital	11,402	-9,118	-9,118	-9,300

Table 18: Forecasted Data of Working Capital, in Million €

Source: Own Projections

5.2.6 CAPEX

Capital expenditures (CAPEX) include all investments with the purpose of acquiring and maintaining fixed assets, such as property, buildings, equipment or technology.

Due to the impact of the adoption of IFRS16, using only the historical data to determine Ibersol Capex would not be the most accurate method. Thus, the approach chosen was the sum of changes in non-current assets with the current depreciations. Concerning the estimation of non-current assets, it was considered a decrease in the first two forecasted years and growth of around 0.5% in the following years. The outcome of these calculations is presented in the next table.

	Historical				Forecast			
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Non-Current Assets	335,862	359,928	359,649	680,746	612,671	563,658	566,476	569,308
Depreciations	16,778	31,922	29,795	86,616	88,348	90,115	91,917	93,756
CAPEX		55,988	29,515	407,713	20,273	41,101	94,736	96,588

Table 19: CAPEX Evolution, in Million €

Source: Company Information and Own Projections

5.3 DCF – Free Cash Flow to the Firm

As previously mentioned, the Free Cash Flow to the Firm approach, which belongs to the Discounted Cash Flow Valuation Model, was the first model chosen to value Ibersol SGPS.

5.3.1 Enterprise Value

As demonstrated in table 20, the FCFF can be obtained with after-tax operating profit (appendix D), added by depreciations and amortizations and deducted of capital expenditures and

investment in working capital. Afterwards, the cash flows and the Terminal Value are discounted at the WACC in order to determine their respective present values.

	Forecast			
	2020	**2021**	**2022**	**2023**
NOPLAT	-26,853	-18,072	0,821	24,857
Depreciations & Amortizations	88,348	90,115	91,917	93,756
Changes in Working Capital	11,402	-9,118	-9,118	-9,300
CAPEX	20,273	41,101	94,736	96,588
FCFF	29,820	40,060	7,121	31,325

Table 20: Free Cash Flow to the Firm Calculation, in Million €

Source: Company Information and Own Projections

The Terminal Value must be taken in consideration as it is assumed that the company will generate cash flows in perpetuity. The growth rate considered is 2.15%, which corresponds to an average of the expected Real GDP growth rates for Portugal and Spain to 2023, regarding the predictions of Bank of Portugal and Bank of Spain, respectively (appendix E).

After obtaining the present values of the free cash flows to the firm and the terminal value, an Enterprise Value of 604,895 million euros was achieved.

	2019	**2020**	**2021**	**2022**	**2023**	**2024**
FCFF		29,820	40,060	7,121	31,325	
Terminal Value						646,261
WACC	6.07%					
Discount Factor		0.943	0.888	0.838	0.790	0.790
PV FCFF		28,112	35,603	5,966	24,743	
PV Terminal Value						510,470
Enterprise Value	604,895					

Table 21: Enterprise Value Calculation, in Million €

Source: Company Information and Own Projections

5.3.2 Equity Value

The final step to reach the value per share of Ibersol using the DCF model is to compute the Equity Value. In order to do so, financial debt should be deducted and non-operating assets should be added from to Enterprise Value.

The non-operating assets include the values of financial investments – joint controlled subsidiaries, non-current financial assets, other financial assets, other non-current assets, cash and bank deposits and other financial assets. In 2019, these values amounted 65,291 million euros (appendix F).

As one can observe in the following table, having all the values required to determine the Equity Value and having the number of outstanding shares, a final share price of 5.80€ was obtained.

	2019
Enterprise Value	604,895
Non-Operating Assets	65,291
Financial Debt	461,275
Equity Value	208,911
Value per Share	5.80 €

Table 22: Equity Value Calculation, in Million €

Source: Company Information and Own Projections

5.3.3 Sensitivity Analysis

In order to understand how Ibersol's valuation may deviate from the result obtained in the DFC valuation, a sensitivity analysis was performed. The two main critical variables selected for the analysis were WACC and Terminal Growth Rate due to their impact in the final share price. These parameters are subject to a variation of ±0.30% (WACC) and ±0.15% (g) from their initial values.

		WACC				
		5.47%	**5.77%**	**6.07%**	**6.37%**	**6.67%**
	1.85%	7.09	5.73	4.55	3.55	2.66
	2.00%	7.91	6.43	5.15	4.08	3.13
g	**2.15%**	8.81	7.19	**5.8**	4.65	3.63
	2.30%	9.79	8.02	6.51	5.25	4.16
	2.45%	10.87	8.92	7.27	5.91	4.73

Table 23: Sensitivity Analysis, in €

Source: Own Projections

Analyzing the above table, with the outcomes of the sensitivity analysis, it can be seen that the two variants have opposite effects in the final value per share. The higher the WACC, the lower the share price (ceteris paribus) and the higher the terminal growth rate, the higher the share price (ceteris paribus). It can also be observed that the best scenario occurs when the WACC is equal to 5.47% and the g is 2.45%, which means that the best share value (10.87€) is achieved when applying the lowest weighted average cost of capital with the highest terminal growth rate. On the contrary, the worst case scenario happens when the WACC is 6.67% and the terminal growth rate is 1.85%.

5.4 Relative Valuation

Relative Valuation was also selected to value Ibersol SGPS. As explained before, this valuation method is more used as a complement to the other methods.

Ibersol's indicators were compared to the respective multiples of a peer group composed by six companies that operate in the Food industry: Domino's Pizza Group, Yum! Brands Inc, AmRest Holdings, McDonald's Corp, Autogrill SpA and NoHo Partners Oyj. Although all these companies belong to the same industry, all of them operate in different markets, have different capital structures and different financial performances. Therefore, the results obtained with this valuation can be less accurate than the ones achieved with the other models.

Despite of the fact that most widely used multiples are EV/EBITDA and PER, as previously referred, the multiples chosen were EV/EBIT and PER, since this enterprise multiple takes into account the Depreciation and Amortization figures that reflect the adoption of IFRS 16 in 2019.

Once considered all the multiples from the comparable companies, AMRest Holdings was considered as an outlier, so was excluded from the valuation. Then, was computed the average of the peer group for each multiple.

Regarding the first multiple, the Enterprise Value was obtained using the EBIT of Ibersol and afterwards, the non-operating assets were added and the financial debt was deducted, resulting in the Equity Value. For the PER, the value of Net Profit of Ibersol was the driver to achieve the Equity Value.

The output of this valuation can be observed in the following table. The final value per share reached was 12.92€, which is the average of values obtained through both multiples.

	Market Cap.	EV/EBIT	PER
Domino's Pizza Group	2,630,616	24.68	25.21
Yum! Brands Inc	35,099,714	20.76	28.33
AmRest Holdings	1,536,999	35.25	33.93
McDonald's Corp	175,231,569	20.21	25.32
Autogrill SpA	1,916,425	16.46	11.56
NoHo Partners Oyj	200,511	16.69	8.77
Peer Group Average		19.76	22.19
IBERSOL SGPS			
Net Profit 2019			17,640
EBIT 2019		32,920	
Enterprise Value		650,454	
Non-Operating Assets		65,291	
Financial Debt		461,275	
Equity Value		539,035	391,344
Value per share		14.97 €	10.87 €
Value per share Average		12.92	

Table 24: Multiples Valuation, in €

Source: Bloomberg Terminal and Company Information

5.5 Economic Value Added Model

The last model chosen to value Ibersol's company was Economic Value Added.

5.5.1 Market Value Added

In order to compute the EVA, the first step is to deduct the cost of the invested capital from the NOPLAT, as shown in table 25.

	Forecast				
	2020	**2021**	**2022**	**2023**	**2024**
NOPLAT	-26,853	-18,072	0,821	24,857	25,692
Invested Capital BoY	293,099	236,426	178,295	171,995	165,527
WACC	6.07%				
Economic Value Added	-44,656	-32,433	-10,009	14,410	15,637

Table 25: Economic Value Added Calculation, in Million €

Source: Company Information and Own Projections

Like in FCFF model, the Terminal Value should also be considered to assume the cash flows perpetuity. The growth rate assumed was the same as in the previous valuation and the WACC was also considered (appendix G).

The Market Value Added is then obtained by the sum of the present values of the EVAs with the present value of their TV, resulting in a MVA of 250,557 million euros.

	2019	2020	2021	2022	2023	2024	2025
EVA		-44,656	-32,433	-10,009	14,410	15,637	
Terminal Value							412,059
WACC	6.07%						
Discount Factor		0.943	0.888	0.838	0.790	0.745	0.745
PV EVA		-42,099	-28,825	-8,386	11,382	11,644	
PV Terminal Value							306,840
Market Value Added	250,557						

Table 26: Market Value Added Calculation, in Million €

Source: Company Information and Own Projections

5.5.2 Equity Value

The last phase to reach the value per share of Ibersol, according to EVA model, is through the calculation of the Equity Value. This value can be achieved by adding MVA to Invested Capital to obtain Enterprise Value and then making the usual adjustments having in consideration the number of outstanding shares, the final price per share of Ibersol is 4.10€.

	2019
Market Value Added	250,557
Invested Capital	293,099
Enterprise Value	543,656
Non-Operating Assets	65,291
Financial Debt	461,275
Equity Value	147,673
Value per Share	4.10 €

Table 27: Equity Value Calculation, in Million €

Source: Company Information and Own Projections

6. Results and Conclusions

The goal of this project was to perform a trustworthy valuation of Ibersol SGPS, providing crucial information for potential investors. As previously referred, valuing a business is not a straightforward task due to the fact that there is no perfect method and due to the subjectivity inherent to the need to define several assumptions. In order to minimize this subjectivity, assumptions were made considering the characteristics of the company, its historical data and the global environment.

In the beginning of 2020, the world was surprised with World Health Organization declaring the spread of COVID-19 as a global pandemic. This situation led to a general lockdown in many countries, causing the decrease of the world economy and deeply impacting the consumers' habits and behaviours.

The most consensual model between experts is Discounted Cash Flow Valuation, so it was the main method chosen to perform Ibersol valuation. This model is based on future cash flow generation, and with the aim of obtaining the most reliable result, all the forecasts were produced considering the pandemic impact in the food service sector. Consequently, the value per share obtained at the end of 2019 was 5.80€. Through the sensitivity analysis executed, one can see that the share price is considerably affected by small variations either in WACC or in the perpetuity growth rate, as for example, an increase of 0.3% in the growth rate would increasing the share value from 5.80€ to 7.27€.

The second model chosen to perform Ibersol valuation was Relative Valuation, which is focused on the comparison of the company with similar companies listed in the market. The results obtained through this valuation were 14.97€ with the EV/EBITDA multiple and 10.87€ with the PER multiple. These values are higher than the values achieved with the other valuations and also higher than the market reference price of Ibersol at the end of 2019 (8.00€) due to the fact that the entities selected in the peer group are from the same industry but operate in different markets and have different capital structures. Additionally, as mentioned before, in the end of 2019, the world was not expecting the global pandemic, therefore prospects were substantially more optimistic.

With the purpose of supplementing the valuation and understanding if the company is generating value from its investments, the EVA perspective was the last model selected. The value per share achieved was 4.10€, which suggests this model is predicting a worse impact on value coming from the pandemic.

In conclusion, and given all the presented factors, we believe the most accurate model for the valuation of Ibersol SGPS is DFC. According to the results obtained with this method, the recommendation for investors is to sell the company's shares, as the price calculated (5.80€) is lower than the market reference value at 31 of December of 2019 (8.00€). However, one can suggest that the investors' decision should also consider the speed of large-scale vaccination, the performance of the company during these inconstant and uncertain times and the good perspective of some sectors where the company operates, like delivery, take-away and drive services, all of which might delay the urge of our selling recommendation.

Additionally, other factor that may be important to bear in mind is the fact that at the date of the end of this project, October 2021, Ibersol' share price was around 5.76€. This value suggests that the forecasts made during the course of this valuation are in line with the actual situation of the company, which might lead our recommendation to change from a "sell" to a "hold".

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McKinsey & Company website - https://www.mckinsey.com/industries/retail/our-insights/reimagining-european-restaurants-for-the-next-normal

8. Appendixes

Appendix A: Ibersol SGPS Consolidated Statement of Comprehensive Income, in €

	2016	2017	2018	2019
Operating Income				
Sales	268 831 784	443 270 117	445 607 539	481 761 253
Rendered Services	1 000 611	5 058 977	4 503 303	3 626 196
Other Operating Income	9 089 970	9 781 036	9 922 824	13 296 095
Total Operating Income	**278 922 365**	**458 110 130**	**460 033 666**	**498 683 544**
Operating Costs				
Cost of Sales	64 546 632	102 831 054	108 799 400	117 329 396
External Supplies and Services	83 879 682	149 502 177	149 938 133	105 017 345
Personnel Costs	79 968 121	135 318 741	137 120 057	151 967 026
Amortization, Depreciation and Impairment Losses of TFA, Rights of Use, Goodwill and IA	16 778 233	31 922 475	29 794 531	86 615 669
Other Operating Costs	3 418 918	5 180 157	3 126 812	4 834 057
Total Operating Costs	**248 591 586**	**424 754 604**	**428 778 933**	**465 763 493**
Operating Income	**30 330 779**	**33 355 526**	**31 254 733**	**32 920 051**
Net Financing Cost	1 195 425	5 397 611	2 989 186	20 704 510
Gains (losses) in Joint Controlled Subsidiaries - Equity Method	-261	2 755	39 456	102 494
Gains (losses) in Financial Investments	0	0	-370 000	0
Gains (losses) on Net Monetary Position	0	5 980 424	1 206 056	0
Profit Before Tax	**29 135 093**	**33 941 094**	**29 141 059**	**12 318 035**
Income Tax Expense	5 837 553	2 701 589	4 070 309	-5 321 775
Net Profit	**23 297 540**	**31 239 505**	**25 070 750**	**17 639 810**
Other Comprehensive Income:				
Change in currency conversion reserve (net of tax and that can be recycled of results)	-1 151 741	-10 706	-5 128 021	-3 214 646
Total Comprehensive Income	**22 145 799**	**31 228 799**	**19 942 729**	**14 425 164**
Net Profit Attributable to:				
Owners of the parent	23 249 971	30 849 460	24 962 061	17 549 228
Non-controlling interest	47 569	390 046	108 689	90 582
	23 297 540	**31 239 506**	**25 070 750**	**17 639 810**
Total Comprehensive Income Attributable to:				
Owners of the parent	22 098 230	30 838 754	19 834 040	14 334 582
Non-controlling interest	47 569	390 046	108689	90 582
	22 145 799	**31 228 800**	**19 942 729**	**14 425 164**

Source: Company Information

Appendix B: Ibersol SGPS Consolidated Statement of Financial Position

	2016	2017	2018	2019
ASSETS				
Non-current Assets				
Tangible Fixed Assets	178 058 537	197 972 217	201 310 291	216 563 700
Rights of Use	0	0	0	321 812 178
Goodwill	92 862 786	92 862 786	90 846 327	87 968 225
Intangible Assets	36 799 278	35 115 966	36 146 157	36 440 964
Financial Investments - joint controlled subsidiaries	8 350 319	7 164 371	2 459 842	2 566 336
Non-current Financial Assets	2 417 631	2 420 386	211 430	435 226
Available-for-sale Financial Assets	440 541	233 108	0	0
Other Financial Assets	10 438 768	17 823 906	15 753 485	2 710 150
Other Non-current Assets	6 494 327	6 335 385	12 921 343	8 238 111
Deferred Tax	0	0	0	4 010 940
Total Non-current Assets	**335 862 187**	**359 928 125**	**359 648 875**	**680 745 830**
Current Assets				
Inventories	11 547 211	12 089 907	11 622 326	12 014 986
Cash and Bank Deposits	39 588 532	34 902 883	37 931 124	38 424 757
Income Tax Receivable	2 332 391	5 046 070	3 574 662	1 502 658
Other Financial Assets	7 041 574	5 162 755	3 855 375	12 916 621
Other Current Assets	24 797 594	19 823 562	27 617 179	31 681 067
Total Current Assets	**85 307 302**	**77 025 177**	**84 600 666**	**96 540 090**
Total Assets	**421 169 489**	**436 953 302**	**444 249 541**	**777 285 920**
EQUITY AND LIABILITIES				
EQUITY				
Capital and Reserves Attributable to Shareholders				
Share Capital	24 000 000	30 000 000	36 000 000	36 000 000
Own Shares	-11 179 348	-11 179 969	-11 180 516	-11 180 516
Share Prize	0	0	469 937	469 937
Legal Reserves	0	0	755 581	1 075 511
Conversion Reserves	-2 002 180	-2 012 886	-7 140 907	-10 355 553
Other Reserves & Retained Results	117 522 486	140 240 143	158 974 733	180 376 862
Net Profit in the year	23 249 971	30 849 460	24 962 061	17 549 228
	151 590 929	**187 896 748**	**202 840 889**	**213 935 469**
Interests that do not control	333 399	723 445	329 204	293 007
Total Equity	**151 924 328**	**188 620 193**	**203 170 093**	**214 228 476**
LIABILITIES				
Non-current Liabilities				
Loans	130 457 713	107 687 759	79 182 324	74 763 367
Liability for Leases	0	0	0	286 206 086
Deferred Tax	12 242 099	16 296 869	10 556 031	8 671 083
Provisions	3 412 128	4 489 724	3 244 724	33 257
Derivative Financial Instrument	114 935	235 455	177 570	128 699
Other Non-current Liabilities	208 040	179 192	150344	6 146
Total Non-current Liabilities	**146 434 915**	**128 888 999**	**93 310 993**	**369 808 638**
Current Liabilities				
Loans	36 333 949	33 326 982	52 961 448	46 399 315
Liability for Leases	0	0	0	53 777 115
Accounts Payable to Suppliers and Accrued Costs	65 500 220	67 522 339	81 387 772	77 816 608
Income Tax Payable	2 349 654	324 744	162 901	689 748
Other Current Liabilities	18 626 423	18 270 045	13 256 334	14 566 020
Total Current Liabilities	**122 810 246**	**119 444 110**	**147 768 455**	**193 248 806**
Total Liabilities	**269 245 161**	**248 333 109**	**241 079 448**	**563 057 444**
Total Equity and Liabilities	**421 169 489**	**436 953 302**	**444 249 541**	**777 285 920**

Source: Company Information

Appendix C: Ibersol Shareholder Structure

Shareholders	Number of Shares	% Share Capital
ATPS - SGPS, S.A.		
Directly	19,767,058.00	54.91%
António Alberto Guerra Leal Teixeira	2,520.00	0.01%
António Carlos Vaz Pinto Sousa	2,520.00	0.01%
Total attributable	**19,772,098.00**	**54.92%**
Magallanes Iberian Equity FI		
Total attributable	**1,100,154.00**	**3.06%**
Bestinver Gestion CCIIC		
Total attributable	**3,845,161.00**	**10.68%**
River and Mercantile Asset Management LLP		
Total attributable	**870,648.00**	**2.42%**
FMR LLC		
Fidelity Management & Research Company	**1,098,000.00**	**3.07%**
GOSHA Holdings SARL		
Directly	1,034,313.00	
Malgorzata Ewa MCGovern	28,268.00	
Total attributable	**1,062,581.00**	**2.95%**

Source: Company Information

Appendix D: NOPLAT Calculation, in Million €:

	Forecast			
	2020	**2021**	**2022**	**2023**
Sales & Rendered Services	291,232	364,041	436,849	511,113
Other Operating Income	5,825	7,281	8,737	10,222
Cost of Sales	70,478	88,098	105,717	123,689
External Services and Supplies	64,071	80,089	96,107	112,445
Personnel Costs	106,377	132,971	146,268	153,582
Other Operating Costs	3,000	3,750	4,500	5,264
Depreciations & Amortizations	88,348	90,115	91,917	93,756
EBIT	-35,217	-23,701	1,077	32,599
Corporate Tax Rate	23.75%			
NOPLAT	-26,853	-18,072	0,821	24,857

Source: Company Information and Own Projections

Appendix E: Terminal Value Calculation for DFC Model, in Million €

	Explicit Period
FCFF 2024	25,360
WACC	6.07%
Growth Rate	2.15%
Terminal Value	646,261

Source: Own Projections

Appendix F: Non-Operating Assets, in Million €

	2019
Financial Investments - joint controlled subsidiaries	2,566
Non-current Financial Assets	0,435
Other Financial Assets	2,710
Other Non-current Assets	8,238
Cash and Bank Deposits	38,425
Other Financial Assets	12,917
Non-Operating Assets	65,291

Source: Company Information

Appendix G: Terminal Value Calculation for EVA Model, in Million €

	Explicit Period
EVA 2025	16,170
WACC	6.07%
Growth Rate	2.15%
Terminal Value	412,059

Source: Own Projections